State Profile

Summer 2005

New York

New York state's job growth continues to rebound and prospects for improvement are favorable.

- Statewide employment growth improved in first quarter 2005, as tourism, Wall Street, and housing activity boosted the economy (See Chart 1). Job growth was strongest in **Glens Falls** and **Kingston** and significantly improved in **Ithaca**, **Poughkeepsie**, and **Long Island**. Manufacturing softness hindered growth in **Binghamton**, **Elmira**, and **Rochester**; all three areas recorded worsening job losses in first quarter 2005 compared with the prior quarter. Despite improvement, New York state employment growth ranks near the bottom; 43rd among all U.S. states.

Tourism has rebounded throughout the state.

- In first quarter 2005, tourism industries led job growth. From **Niagara Falls** to **Lake George**, tourism bureaus have reported increased traffic and higher hotel bookings. **New York City** tourism also has been strong; hotel occupancy reached 75.3 percent in first quarter 2005, the highest first-quarter rate since 2000 and about 11 points higher than the national average.[1]

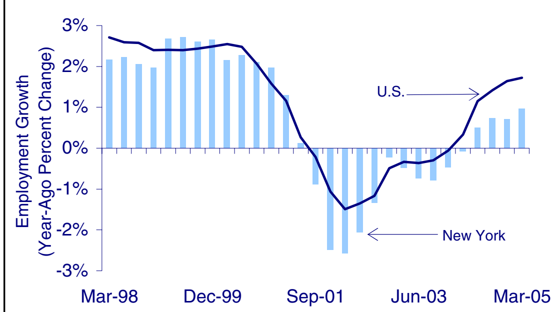
Wall Street has provided an economic boost.

- Wall Street hiring has increased for the past five quarters following three years of declines. Compensation also has improved, as Wall Street bonuses averaged more than $100,000 last year, the second highest level on record.[2] Because of its high salaries, Wall Street activity has a large multiplier effect throughout the downstate area.

Downstate home price appreciation continued to climb and exceeds gains in personal income.

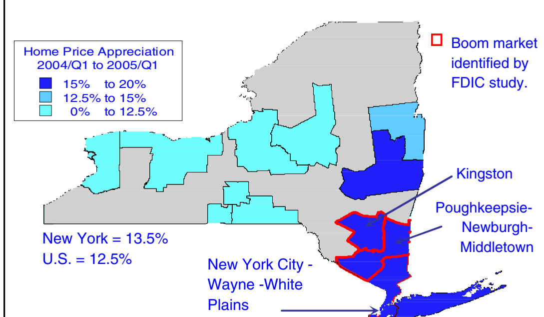
- Many areas in the state continued to experience high levels of home price appreciation. A recent FDIC study identified 55 "boom" housing markets nationwide that included **New York City-Wayne-White Plains**, **Poughkeepsie-Newburgh-Middletown**, and Kingston

Chart 1: Job Growth in New York Has Steadily Improved



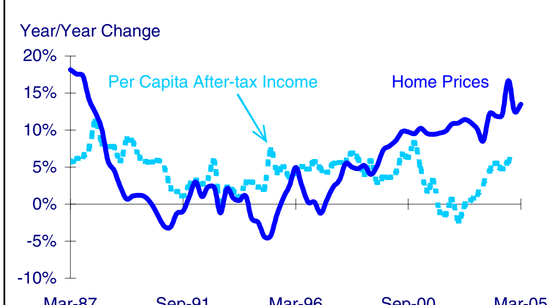
Source: Bureau of Labor Statistics

Map:1 Downstate N.Y. Housing Markets Are Hottest



Source: Office of the Federal Housing Enterprise Oversight, FDIC: FYI Revisited "U.S. Home Prices: Does Bust Always Follow Boom?" May 2, 2005.

Chart 2: Home Price Growth in New York Has Outpaced Income Growth



Sources: OFHEO, BEA/Haver Analytics

[1]Estimates provided by Torto Wheaton Research.
[2]Estimates provided by the New York State Comptroller's Office.

(See Map 1).[3] Improved job growth, limited housing supply, and innovative mortgage products have contributed to price growth. Reports suggest that speculative buying has increased in several downstate markets, which also may contribute to greater price appreciation.

- Home price gains have been lower in many upstate areas that have experienced less economic growth and have greater availability of housing.
- New York's home price appreciation exceeds personal income growth (See Chart 2). Home price appreciation in excess of income growth may constrain housing affordability, particularly among first-time home buyers and borrowers with marginal finances.

Strong home price appreciation has contributed to the popularity of adjustable-rate mortgages (ARMs) in the state.

- Despite historically low long-term mortgage rates, the use of ARMs has increased significantly in the past two years among borrowers in New York (See Chart 3). Some ARMs offer lower initial monthly payments than fixed-rate mortgages, enabling consumers to purchase homes that they otherwise might not be able to afford. Should interest rates rise, the repayment ability of some ARM borrowers could be strained should their monthly payments increase in the future.
- During 2004, interest-only (IO) mortgages, which defer principal payments for a specified period, represented about 15 percent of securitized mortgage loans originated in New York.[4] The increased use of innovative mortgage products may suggest that homebuyers are stretching to keep pace with increasing home prices. IO mortgages may expose homebuyers to greater repayment risk when the loan re-prices or principal payments begin.

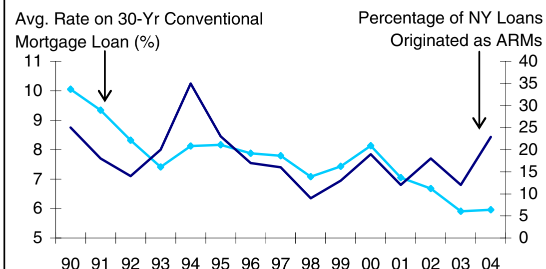
Banking conditions are favorable, but a flatter yield curve may hinder margin expansion.

- The median return on assets among New York's FDIC-insured institutions was stable in the first quarter 2005 compared with one year ago. The median net interest margin (NIM) also was stable as asset yields and funding costs increased in step reflective of higher interest rates. Non-interest income was slightly below year-ago levels.
- New York's community banks reported 12 percent growth in residential loans during the past year, up from 5 percent growth in the prior year. Community banks headquartered in and around New York City reported 20 percent growth in the past year, reflecting booming housing markets in areas such as New York City, **Westchester** and **Putnam Counties**, and Long Island.
- Residential lenders, which compose 21 percent of the state's banks compared with 11 percent nationally, typically are influenced by the spread between short- and long-term interest rates.[5] Residential lender's NIMs may moderate as the yield curve has shifted to its flattest level in four years.[6]

New York's credit quality continued to outperform the nation's.

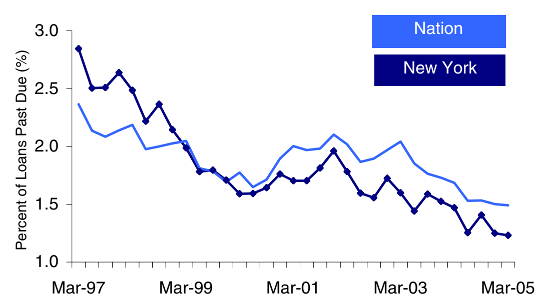
- Credit quality remained favorable as the median loan delinquency ratio reported by the state's institutions remained below the national rate (See Chart 4). In addition, the net charge-off ratio declined slightly from an already low level from a year ago.

Chart 3: IN 2004, ARMs Increased in New York Despite Low Rates on Fixed-Rate Mortgages



Note: Data are based on a sample of conventional, single-family, purchase-money mortgages. Percentage is based on the number of loans originated.
Sources: Federal Housing Finance Board and Haver Analytics.

Chart 4: New York's Credit Quality Has Steadily Outperformed the Nation's in Recent Years



Notes: Data include loans at least 30 days past due or in nonaccrual status. Median data displayed. Source: FDIC.

[3]Cynthia Angell and Norman Williams, FDIC FYI Revisited "U.S. Home Prices: Does Bust Always Follow Boom?" May 2, 2005. www.fdic.gov/bank/analytical/fyi/2005/050205fyi.html. A boom market is defined as one in which inflation-adjusted home prices rose by at least 30 percent during the 2001-2004.
[4]Peter Coy, "A Growing Tide of Risky Mortgages," Business Week, May 18, 2005.
[5]"Residential lenders" are defined as insured institutions that hold at least 50 percent of assets in one-to-four family mortgage loans and mortgage-backed securities.
[6]The yield curve is defined as the difference between the monthly average rate on 10-year and 3-month U.S. Treasury securities.

New York at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.0%	-0.1%	-0.5%	-2.6%	1.3%
Manufacturing (7%)	-2.4%	-4.3%	-5.4%	-9.7%	-3.2%
Other (non-manufacturing) Goods-Producing (4%)	0.9%	-0.8%	-1.3%	-3.0%	3.7%
Private Service-Producing (72%)	1.5%	0.5%	0.0%	-2.8%	2.0%
Government (18%)	0.1%	-0.5%	0.0%	1.9%	0.3%
Unemployment Rate (% of labor force)	4.9	6.2	6.4	6.1	4.2

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	5.8%	0.8%	-1.0%	5.3%
Single-Family Home Permits	-19.8%	19.6%	-20.8%	17.7%	-10.8%
Multifamily Building Permits	48.9%	-4.4%	14.1%	-18.2%	40.2%
Existing Home Sales	2.2%	-0.3%	-1.9%	16.2%	1.6%
Home Price Index	13.5%	11.9%	11.0%	9.9%	10.2%
Bankruptcy Filings per 1000 people (quarterly level)	1.05	1.14	0.95	0.89	0.91

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	198	202	210	216	225
Total Assets (in millions)	1,147,877	1,795,428	1,641,412	1,471,195	1,503,406
New Institutions (# < 3 years)	9	8	9	14	13
Subchapter S Institutions	8	6	5	5	5

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.22	1.44	1.60	1.78	1.71
ALLL/Total Loans (median %)	1.08	1.11	1.14	1.12	1.06
ALLL/Noncurrent Loans (median multiple)	2.56	1.90	1.58	1.82	1.64
Net Loan Losses / Total Loans (median %)	0.06	0.10	0.11	0.09	0.10

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.18	8.83	8.63	8.90	8.95
Return on Assets (median %)	0.89	0.90	0.94	0.90	0.89
Pretax Return on Assets (median %)	1.34	1.37	1.44	1.35	1.37
Net Interest Margin (median %)	4.06	4.08	4.10	4.17	4.02
Yield on Earning Assets (median %)	6.54	6.51	6.68	6.92	7.25
Cost of Funding Earning Assets (median %)	2.44	2.41	2.55	2.74	3.16
Provisions to Avg. Assets (median %)	0.07	0.09	0.10	0.11	0.09
Noninterest Income to Avg. Assets (median %)	0.60	0.62	0.64	0.64	0.63
Overhead to Avg. Assets (median %)	2.95	2.92	2.94	2.94	2.90

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	55.9	54.1	54.9	58.8	60.4
Noncore Funding to Assets (median %)	18.3	17.6	16.6	18.2	19.5
Long-term Assets to Assets (median %, call filers)	28.5	28.9	23.5	28.5	26.6
Brokered Deposits (number of institutions)	55	60	54	53	55
Brokered Deposits to Assets (median % for those above)	3.2	2.0	2.7	2.6	2.0

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	50.6	53.8	57.6	65.7	61.1
Commercial Real Estate	151.0	137.6	134.4	127.3	110.6
Construction & Development	9.9	9.0	6.1	6.0	5.2
Multifamily Residential Real Estate	7.1	7.8	7.2	7.5	7.8
Nonresidential Real Estate	106.8	102.2	91.2	92.0	79.8
Residential Real Estate	205.4	215.2	218.4	248.6	250.4
Consumer	10.2	13.8	17.6	23.4	25.3
Agriculture	0.0	0.0	0.0	0.0	0.0

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits ($ millions)	Asset Distribution	Institutions
New York-Northern New Jersey-Long Island, NY-NJ-PA	236	713,546	< $250 million	88 (44.4%)
Buffalo-Niagara Falls, NY	18	24,048	$250 million to $1 billion	69 (34.8%)
Albany-Schenectady-Troy, NY	26	16,118	$1 billion to $10 billion	32 (16.2%)
Rochester, NY	22	12,599	> $10 billion	9 (4.5%)
Poughkeepsie-Newburgh-Middletown, NY	33	8,467		